

September 24, 2004

TO: DMH/MR Community Contractors

FROM: Kathy E. Sawyer, Commissioner

RE: Changes to the DMH/MR Audit Guidelines, Amended September 2004 for Fiscal Years ending after December 31, 2003.

The attached revised DMH/MR Guidelines have been updated to comply with the change in OMB Circular A-133 that is effective for fiscal years ending after December 31, 2003. The OMB Circular A-133 raised the threshold for the requirement for a Single Audit from \$300,000 to \$500,000 in expenditures of federal awards (excluding Medicaid).

We plan to put the revised DMH/MR Audit Guidelines on the DMH/MR Website. Auditors will use this revision for their audits of most of the FY 2004 DMH/MR contractors. For contractors with a fiscal year ending December 31, the changes will be effective with their FY 2005 contracts.

The following changes were made to the DMH/MR Guidelines:

1. Raised the threshold to \$500,000 for an OMB Circular A-133 Audit. (pages 2, 3, 7, 15)
2. Added a paragraph about the 310 Boards' responsibility to review the audits of their subrecipients receiving \$500,000 in federal awards and to notify DMH/MR of any audit findings. This was added in compliance with the federal review of the Substance Abuse Block Grant. (page 3)
3. Expanded the requirement for the auditor to review local match (pages 8, 9, 16, 17,)
4. Added a requirement for auditors to review the internal control over client funds and the related documentation of expenditures and revenues for fiscal years beginning after October 1, 2004. (A clause regarding internal control over client funds and the related documentation of expenditures and revenues was added to the FY 2005 contracts.) (page 9)
5. Removed the Expenditure-Revenue Schedules that were terminated by my memo dated February 11, 2002.

If you have any questions concerning the DMH/MR Audit Guidelines, please call Kathleen Brantley, Assistant Finance Director, at 334-242-3633

Attachment

C: Otha Dillihay, Associate Commissioner for Administration
Kent Hunt, Associate Commissioner for Substance Abuse
Eranell McIntosh-Wilson, Associate Commissioner for Mental Retardation
Charles Day, Acting Associate Commissioner for Mental Illness